

Message Text

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ACTION EUR-08

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CONFIDENTIAL LISBON 1749

LIMDIS

DEPT. PASS TREASURY FOR SYVRUD

E.O. 11652: GDS

TAGS: ECON, EFIN, EAID, PO

SUBJ: ECONOMIC ASSISTANCE FOR PORTUGAL, MEETING WITH SOARES

REF: LISBON 1726

1. ECON COUNSELOR AND I MET MARCH 4 WITH PRIME MINISTER SOARES AND FINANCE MINISTER MEDINA CARREIRA. I PRESENTED THEM WITH COPIES OF DRAFT CABLE INSTRUCTING SELECTED U.S. AMBASSADORS TO APPROACH THE GOVERNMENTS TO WHICH THEY ARE ACCREDITED, IN ORDER TO DISCUSS REF SUBJECT. PORTUGUESE PROMISED TO REVIEW THE DRAFT CABLE AND TO PROVIDE US WITH THEIR COMMENTS WITHIN NEXT FEW DAYS. EVERY ATTEMPT WILL BE MADE TO RESPOND BEFORE SOARES LEAVES LISBON MARCH 6 TO VISIT SEVERAL EC CAPITALS.

2. IN DISCUSSING DRAFT CABLE, I INDICATED MY UNDERSTANDING THAT PARA 3.A PROBABLY COULD BE ADJUSTED IN THE FOLLOWING TWO WAYS: FIRST, DISBURSEMENT OF \$750 MILLION WOULD BE MADE DURING FY 78, RATHER THAN 1978. SECOND, I NOTED THAT WE ARE TENTATIVELY THINKING THAT THE TERMS

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FOR DRAWDOWN OF FIRST PORTION OF LOAN MIGHT SIMPLY BE PORTUGAL'S ARRIVING AT A SECOND TRANCHE STANDBY AGREEMENT WITH THE IMF. THIS PROCEDURE, WE ALL AGREED, WOULD BE MUCH MORE PRACTICAL AND REALISTIC THAN ATTEMPT-ING TO HAVE EACH OF THE POTENTIAL CONSORTIUM MEMBERS ATTEMPT TO SPECIFY PRECONDITIONS.

3. SOARES IS CLEARLY CONVINCED AND
WILLING TO TAKE A MUCH MORE AGGRESSIVE ATTITUDE IN
SUPPORT OF THE CONSORTIUM. HE PARTICULARLY RECOGNIZES
THE IMPORTANCE OF HIS MEETING WITH PRIME MINISTER SCHMIDT
ON MARCH 8. HE KNOWS THAT HE MUST CONVINCE SCHMIDT
TO TAKE THE NECESSARY POLITICAL DECISION TO BRING
GERMANY INTO THE CONSORTIUM. IN ADDITION, HE WILL
STRIVE TO HAVE SCHMIDT TAKE HIS DECISION AND SO NOTIFY
DR. POEHL PRIOR TO THE LATTER'S DEPARTURE FOR WASHING-
TON.

4. SOARES EVIDENTLY IS QUITE PLEASED
WITH THE ECONOMIC PROGRAM HIS GOVERNMENT ANNOUNCED
FEB 25. PUBLIC REACTION THUS FAR, HE SAID, APPEARS TO
HAVE BEEN RATHER FAVORABLE. HE IS, HOWEVER, FEARFUL
THAT THE PCP MAY LAUNCH A MAJOR CAMPAIGN AGAINST
THE GOVERNMENT'S PROGRAM. ON THE OTHER HAND, HE
APPEARED GENUINELY PLEASED BY PSD PRESIDENT
SA CARNEIRO'S DECISION TO SUPPORT THE GOVERNMENT'S
OVERALL PROGRAM, EVEN THOUGH HE MAY CRITICIZE INDIVIDUAL
MEASURES.
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